

390, Acts of the 55th Legislature, R. S., to provide a new teacher and administrator salary schedule with increments; amending Section 1 of Article V of Senate Bill 116, supra, as amended by House Bill 376, Chapter 241, Acts of the 53rd Legislature, R. S., to provide for an increased operating cost allotment; amending Subsections (2) (a) and (b) of Section 2 of Article V of Senate Bill 116, supra, as amended by Senate Bill 102, Chapter 409, Acts of the 55th Legislature, R. S., to increase the allowable total base costs for each bus; amending Sections 1, 2 and 4 of Article VI, Senate Bill 116, supra, as amended by Senate Bill 1, Chapter 5, Acts of the 53rd Legislature, first C. S., 1954, and by Senate Bill 163, Chapter 174, Acts of the 53rd Legislature, R. S., 1953 (Article 2922-16, Sections 1, 2 and 4, V.A.C.S.), to fix the amount to be charged for the 1961-62 school year against the local school districts toward the Foundation School Program and the method to determine thereafter, annually, such charge; providing a repealing and severability saving clause and declaring an emergency."

To the Committee on Education.

Governor Notified

The Committee to Notify the Governor that the Senate was organized appeared at the Bar of the Senate and Senator Moffett for the committee notified the President that it had performed the duty assigned.

House Notified

The Committee to Notify the House that the Senate is organized appeared at the Bar of the Senate, and Senator Baker for the committee reported that the committee had performed the duty assigned it.

Senate Notified

A committee from the House appeared at the Bar of the Senate and Representative McIlhenny for the committee announced that the House of Representatives was organized and ready to transact business.

Recess

On motion of Senator Hardeman the Senate at 3:12 o'clock p.m. took recess until 10:00 o'clock a.m. tomorrow.

FIRST DAY

(Continued)

(Tuesday, July 11, 1961)

After Recess

The Senate met at 10:00 o'clock a.m. and was called to order by Senator Aikin.

Designation of Presiding Officer

The Presiding Officer laid before the Senate and directed the Secretary of the Senate to read the following:

Austin, Texas,
July 10, 1961.

Senator A. M. Aikin
State Capitol
Austin, Texas

Dear Senator Aikin:

Under the provisions of Rule 5 of the Senate Rules I hereby designate you to perform the duties of the Chair during my absence, and until a President Pro Tempore of the Senate is elected and qualified.

Sincerely,
BEN RAMSEY

Presentation of Guests

Senator Weinert by unanimous consent presented as guests of the Senate today his daughter, Mrs. Thomas P. Lovett (Johnnye Jean) and grandchildren Jane, John Weinert and Ann Lovett to the Members.

Message from the House

Hall of the House of Representatives,
Austin, Texas,
July 11, 1961.

Hon. Ben Ramsey, President of the Senate.

Sir: I am directed by the House to inform the Senate that the House has passed the following:

S. C. R. No. 1, Providing for Joint Session of the Legislature at ten o'clock on Monday morning, July 17, 1961, for the purpose of hearing addresses by the Honorable Lyndon B. Johnson, Vice President of the United States and the Honorable Mohammed Ayub Kahn, President of the Republic of Pakistan.

H. C. R. No. 1, Providing for a Joint session at 10:30 a.m. on July 11, 1961, to hear the Governor's message.

Respectfully submitted,
DOROTHY HALLMAN,
Chief Clerk, House of Representatives

House Concurrent Resolution 1 on Second Reading

The Presiding Officer laid before the Senate on its second reading the following resolution:

H. C. R. No. 1, Providing for a Joint Session at 10:30 a.m. on July 11, 1961 to hear the Governor's Message.

The resolution was read.

By unanimous consent the resolution was considered immediately and was adopted.

Election of President Pro Tempore for the First Called Session of the Fifty-seventh Legislature

The Presiding Officer announced the election of the President Pro Tempore as the next order of business.

Senator Moffett nominated Senator Smith of Lubbock County as President Pro Tempore of the First Called Session of the Fifty-seventh Legislature.

Senators Dies, Lane, Krueger, Roberts, Kazen, Reagan, Rogers, Ratliff and Owens seconded the nomination of Senator Smith as President Pro Tempore for the First Called Session of the Fifty-seventh Legislature.

There being no further nominations, the Presiding Officer appointed Senators Dies and Rogers as tellers to take up and count the ballots.

The ballots were taken up and counted and the Presiding Officer announced that Senator Smith had received 27 votes with one present and not voting for President Pro Tempore for the First Called Session of the Fifty-seventh Legislature and declared him duly elected.

Senators Moffett, Martin and Roberts were appointed to escort Senator Smith, and his family, to the President's Rostrum. The Presiding Officer administered the Constitutional Oath of Office as President Pro Tempore for the First Called Session of the Fifty-seventh Legislature to Senator Smith.

The Presiding Officer then presented Senator Smith to the Senate as their President Pro Tempore for the First Called Session of the Fifty-seventh Legislature.

Senator Smith addressed the Senate accepting the office as President Pro Tempore with deep humility and expressing gratefulness for the high honor and opportunity that the Senate had bestowed upon him and his family on this day. He promised to perform the duty as President Pro Tempore with the honor and dignity befitting the office.

President Pro Tempore Smith stated further:

"There was a time—not so long ago—when state legislative bodies played a relatively minor role in government, although practically all authority came through their consent. Effective power too frequently resided elsewhere; life itself was far less complicated than it is today; and government did not do very many things and frequently did not do them well. The state legislators were able to meet for limited sessions of thirty or forty or sixty days every two years, pass a few laws and the necessary appropriations, and go home. The people—and the members of the legislatures—heaved a sigh of relief when the sessions were over, and proceeded to forget about legislation and legislative problems for the next eighteen months or more.

Those days are no more, and it is wholly unrealistic to expect that they will ever return. The increase in the number and scope and complexity of government services at all three levels of government—national, state, and local—has imposed vast new burdens and responsibilities upon state legislators.

During the first half of the twentieth century the growth of state functions, especially in the important areas of education, public works (highways), health, and welfare, has been enormous. Although these burdens are sometimes shared with local communities, their extent may be roughly indicated by the growth in the number of state civil employees and in total state expenditures. State employment rolls have expanded during the last generation from tens of thousands to millions.

As we review the cost in dollars of our own state government, we find, for example, that in the year 1909, the total budget for the State of Texas was slightly more than nine million dollars. In 1945, it was my privilege and honor to serve as a member of the Texas House of Representatives, and as I look back upon that

year, I find that the total budget for operational expenditures of our state government had increased, in that year, to more than 186 million dollars. Since that time, the cost of your state government has continued to rise, and in 1960, we find that our annual operational expenditures had exceeded one billion dollars.

In short, the people of Texas in the first half of this century, facing new situations, have demanded vastly increased state services. Your state has responded. Perhaps, as is often the case, we can see now how the response could have been wiser and better. We can see numerous ways in which improvements should be made from now on. But, far from your state responsibilities becoming less, new demands and services have made them greater and with responsibilities that would dwarf the imagination of our government in the early 1900s.

The fact that your Federal Government has grown still more rapidly, in meeting the challenge of wars, depression, big business, big labor, and a national economic structure, does not minimize the unprecedented present role of your state government.

Thank you."

Senator Aikin then presented Mrs. Smith, their daughter Jan and son Preston Michael to the Members of the Senate.

Presentation of Guest

Senator Fuller by unanimous consent presented as guest of the Senate today his son and law partner, Jim Fuller to the Members.

Motion to Recess

Senator Roberts moved that the Senate stand recessed until 10:30 o'clock a.m. tomorrow subject to the Joint Session held pursuant to provisions of H. C. R. No. 1 to hear the Governor's Message.

Committee to Escort Governor Price Daniel to Joint Session

The Presiding Officer announced the appointment of the following as a Committee pursuant to the provisions of H. C. R. No. 1 to escort Governor Price Daniel to the Joint Session:

Senators Martin, Moffett, Calhoun, Rogers and Herring.

Joint Session

(To hear address of Governor Price Daniel)

The Presiding Officer announced at 10:30 o'clock a.m. that the time had arrived pursuant to the provisions of H. C. R. No. 1 for the Joint Session to hear the address of Governor Price Daniel.

The President Pro Tempore of the Senate and the Senators present escorted by the Sergeant-at-Arms and the Secretary of the Senate proceeded to the Hall of the House of Representatives at 10:30 o'clock a.m.

The Senators were announced and were admitted and escorted to seats prepared for them along the aisle.

The President Pro Tempore was invited to occupy a seat on the Speaker's Rostrum.

The President Pro Tempore called the Senate to order, and announced a quorum of the Senate present.

Honorable James A. Turman, Speaker of the House of Representatives, called the House to order, stated the purpose of the Joint Session and announced a quorum of the House present.

The Honorable Price Daniel, Governor of the State of Texas, and party were announced by the Doorkeeper of the House.

The Governor, accompanied by Mrs. Daniel, was escorted to the Speaker's Rostrum by Senators Martin, Moffett, Calhoun, Rogers and Herring on the part of the Senate, and Representatives Jamison, Duff, Mutscher, Preston and Roberts of Hill.

The Speaker presented the Honorable Price Daniel, Governor of the State of Texas to the Joint Session.

Governor Daniel addressed the Joint Session as follows:

To the Members of the 57th Legislature:

First, I thank and commend the members of the 57th Legislature for your accomplishments during the Regular Session and for the extensive groundwork which you laid for completion of the main task which faces us at this Special Session.

In a report to the people on May 31, I said then and I repeat now that the 57th Legislature, Regular Session, "was one of the hardest working Legislatures I have ever observed"—that there were "many worth-while accomplishments," and "that the long committee hearings, hard work and good faith efforts on financing and other bills were not wasted but have laid the groundwork for final enactment at the Special Session."

All of you know the purpose of this Special Session and the magnitude of our responsibility. Financing the needs of a rapidly growing State has never been a simple or easy task. It always produces honest differences of opinion which sometimes grow into personal and political charges and conflicts. None of us can forget that these things have occurred. Yet, when we pause, as on yesterday, to pay respect to a departed friend and colleague, or when we hear the daily threats of mortal enemies against our very existence and way of life, it makes some of our passing differences here in Austin seem less important and significant.

The important and significant thing is how quickly and completely in this Special Session we can lay aside personalities and conflicts of the past and join hands in working together on the duties and responsibilities which we share as the elected representatives of the people of Texas. As far as I am concerned, the time is now. For these next 29 days, I shall do all within my power to work with all members of this Legislature in reaching a fair, adequate and equitable solution of our State finances.

The Texas Constitution provides that the Legislature shall enact the laws, and it also provides that the Governor shall make recommendations to the Legislature and approve or disapprove its enactments. Thus, we have a joint responsibility in what becomes the law in this State, and I shall now begin part of my Constitutional share of this responsibility by making the following recommendations:

BUDGET FOR THE NEXT BIENNIIUM

I re-submit to you the budget proposed in the Regular Session which is in line with the amount agreed on

by the free conference committee in the Regular Session.

In submitting this budget to you in my Message of January 18, 1961, I pointed out (page 11) that our budget officers had applied every possible economy without decreasing services and efficiency of essential State agencies. As reported then, the increases which I recommended are 49% less than the requested increases made by the various State agencies concerned.

While I believe the total figure agreed upon by the Conference Committee is sufficient, I do urge that adjustments be made within the total sum, so as to establish a more adequate juvenile parole system, additional highway patrolmen, repairs for the San Jacinto Monument, and more adequate financing of the Texas Industrial Commission, State tourist program, and water planning activities of the State Board of Water Engineers. In this connection, I re-submit for consideration of the Special Session and recommend the enactment of all of these programs, together with legislation reorganizing the State Board of Water Engineers, establishing a water pollution control authority, and any other measures directly related to water conservation and development.

I have submitted in the Call and urge your enactment of the Hale-Aikin public school improvements, as approved by both Houses in the Regular Session. This includes an \$810 annual salary increase for teachers, which exceeds the amount recommended by the Hale-Aikin Committee for a nine-months' term, but I believe it is justified on account of the delay in providing salary increases and because it has been approved with few dissenting votes by both Houses of the Legislature.

These and other programs tentatively approved by the 57th Legislature are detailed in Exhibit A, attached as a part of this Message. Together with the deficit and based upon the latest figures of the State Comptroller as to anticipated revenue under present statutes, these expenditures will require for the next biennium a total of \$355,946,859.00 in new revenue, unless some of the recommended tax saving measures are enacted. This amounts to an annual need for new revenue of approximately \$178,000,000 during the next biennium.

ECONOMY AND TAX SAVING MEASURES

Before proposing new tax measures, I respectfully re-submit for your consideration and recommend the enactment of all of the economy and other measures that would reduce the need for new taxes which I submitted at the Regular Session in my Message of January 18 and the Special Message of April 27, 1961. These are listed in Exhibit C which is attached as a part of this Message.

They include the Abandoned Property or Escheat Enforcement Bill, which provides essential reporting and enforcement procedures under which the State can obtain money which is now due the State under the present Texas Escheat Law. Even with the House amendments to this bill, H.B. 470 in the Regular Session, this law should yield at least \$10 million during the next biennium. The money belongs to the State but is being used and often dissipated by the holders. It is inconceivable that we should enact and collect from the people \$10 million in new taxes which could be avoided by providing a law under which this much money now due the State can be promptly located and collected.

The recommendations also include temporary two-year financing of the construction of farm-to-market roads from special earmarked Farm-to-Market Road Funds in the Highway Department instead of from the General Revenue Fund. This would reduce General Revenue needs by \$30 million for the next biennium. We have been assured by the State Highway Commission that it can absorb this cost for two years without reducing farm-to-market road construction.

Also included is the recommendation that college tuition be increased \$50 per semester, provided a tuition scholarship program is continued for any students who cannot afford to pay tuition. This would raise \$20 million of the \$25 million which you have tentatively agreed upon for teacher salary increases and other improvements in our State supported colleges and universities, and would reduce our total tax bill by that amount. It would still leave Texas with one of the lowest college tuition rates in the nation, with the students paying only 16% of the cost of their education, and with no one denied an education

since there would be scholarship provisions for those who cannot pay tuition.

All of the measures which would reduce the need for new taxes, itemized in Exhibit C, would yield a total of \$84 million during the next biennium, and would thereby reduce our tax bill in that amount. Fifty-two million dollars of this sum would be one-time non-recurring gains, but \$32 million would recur each biennium.

TAX PROGRAM

As heretofore stated, if none of the economy and tax saving measures are enacted, and if all of the spending programs tentatively approved during the Regular Session are enacted, approximately \$355 million in new taxes will be required during the next biennium.

I have recognized and so stated to you at the beginning of the Regular Session that our needs for the next biennium and for the future will require a broad-based growth tax, but I felt that while enacting new and permanent taxes on all of the people of the State, we should enact permanent and long overdue taxes on natural gas pipeline companies and interstate corporations.

Recognizing that it is your decision to make, and only my duty to recommend, I respectfully urge that any broad-based tax enacted for the purpose of raising the greater portion of the new revenue should be accompanied by adequate taxes on natural gas and interstate corporations. Accordingly, I recommend that any tax bill include the following:

1. A provision setting the minimum production tax on natural gas at one cent per MCF (thousand cubic feet), with the difference between the present tax and the one cent minimum being levied at the wellhead on the severance beneficiaries for whom the gas is being produced under exclusive dedicated reserve contracts.

This would not increase the tax on those producers who are now paying a 7% severance tax. They would continue to pay the present tax, but in all cases where the present tax amounts to less than 1c per MCF, the difference would be levied on the pipeline companies which have the gas production and reserves tied up under exclusive contracts. Even they would not pay any additional tax if the gas is being purchased for 14.5 cents per MCF or more, since gas at this price

would be yielding the 1c minimum under the present 7% severance tax.

It is only the gas which has been tied up by the pipeline companies under cheaper prices of less than 14.5c that would be subject to an additional tax on the severance beneficiary producer. This additional tax would be levied on production at the wellhead in order to avoid the Constitutional questions which have been raised in our previous attempts to collect taxes on dedicated gas reserves. I have an opinion from the Attorney General of Texas holding this tax would be Constitutional. Before someone argues that Attorney Generals also said our previous severance beneficiary taxes were Constitutional but later these were stricken down by the courts, I want to remind you that none of the bills heretofore approved by the Attorney General were ever enacted into law. All of them were changed or rewritten before enactment to incorporate the provisions which were later held to be unconstitutional. That was particularly true of the last severance beneficiary tax which I submitted and which the Attorney General approved. It did not contain the provision which was later written into the bill and which was declared unconstitutional by the court.

Enactment of this tax would assure Texas of at least 1c per MCF on all gas produced in this State, which would be almost one-half of what Louisiana now collect. It is estimated to yield \$15 million per year or \$30 million for the biennium.

Since 1951, Texas Governors and Legislatures have insisted that natural gas should bear a larger portion of the State's tax burden and that some constitutional way should be devised for additional taxes to be paid by those who have a property interest through exclusive contracts dedicating the production in advance to their pipelines. At a time when we are having to raise the largest amount of new taxes in the history of our State, it would be unfortunate indeed if we failed to include this as a part of the tax program.

2. As heretofore, I recommend the enactment of a two-factor formula (property and receipts) for figuring the base of the corporation franchise tax on companies engaged in interstate business, in the same form that this passed the House in H. B. 334. This would yield an additional \$16

million during the next biennium. This is a long overdue change in order to eliminate the discrimination which now exists in favor of foreign and interstate corporations (which engage in interstate sales) and against wholly domestic companies which engage only in Texas business and sales.

All of the States, except Texas and Washington, have awakened to this discrimination and have applied two-factor or three-factor tax formulas on both their franchise and corporate income taxes.

Raising additional money through an increase in the present franchise tax on all corporations, including the 31,000 wholly domestic companies, would merely prolong and increase the discrimination which now exists in favor of the interstate corporations and against domestic corporations. It would only magnify the question of why Texas continues to be one of only two states in the Union which treats foreign and interstate corporations better than their wholly domestic concerns.

This discrimination is due to the fact that the 31,000 domestic corporations having all of their property and sales in Texas pay the franchise tax on 100% of their capital, while the 11,660 interstate corporations pay on their capital only the percentage represented by their sales in Texas. Thus, one interstate corporation has 98% of its property in Texas and pays on only 6% of its capital. Another interstate corporation has 100% of its property in Texas and pays a franchise tax on only 18% of its capital. I am inserting in this Message a table showing the Texas property of six interstate corporations compared with the percentage of capital taxed. Together, they average 75% of their property in Texas, but pay on only 10% of their capital.

PRESENT CORPORATION TAX ALLOCATIONS

(Six interstate corporations compared to wholly domestic corporations)

Examples of six selected Interstate Corporations (Total 11,660)	Percentage of Property in Texas	Percentage of Capital Taxed
Corporation A	80%	18%
Corporation B	98%	6%
Corporation C	51%	3%
Corporation D	100%	18%

Corporation E	23%	1%
Corporation F	95%	12%
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Average of 6		
Interstate corporations	75%	10%
All wholly domestic corporations	100%	100%
(Total 31,340)		

3. As to the remainder and the major portion of any new tax bill, you are familiar with my commitments against a general sales tax and an income tax. While many of you differ with me on this subject, I have respected your views, and I am sincerely grateful to those of you who have respected mine. On the other hand, I have never opposed selective sales taxes levied in accordance with ability to pay, and I did in fact recommend to you during the Regular Session the State Finance Advisory Commission's alternate proposal which was made up largely of selective excise or sales taxes on items other than the basic necessities of life.

A revision of this recommendation was contained in H. B. 918, and in appearing before the Senate State Affairs Committee in opposition to H. B. 727, I specifically recommended the provisions of H. B. 918, which contained what was then estimated as \$228 million in excise or sales taxes for the biennium. Other items therein would have brought the total of this bill to \$333 million for the biennium, which together with the deficit measures contained in H. B. 334 as it passed the House, would have been more than enough to cover the needs which we now face.

I mention this simply for the purpose of reminding you that I have long realized from expression of members of the Legislature on other tax possibilities that we would have to rely on some form of sales or excise taxation in order to pass a bill which would raise enough money to meet our responsibilities, and to say that I still think that this plan would be the best for our people and completely in accord with the platforms of the Governor, the Lieutenant Governor, Speaker of the House and many members of the Legislature against a general sales tax.

If this proposal does not receive more acceptance at this session than it did at the Regular Session, I urge that at least some aspects of the plan, such as avoiding taxation of the basic

necessities of life, be written into a Pennsylvania-type limited excise, sales and use tax in such a manner that ability to pay and basic necessities will be given every consideration.

The study of the Pennsylvania plan made last month by Jim McGrew of the Texas Research League and Joe Moore of the Finance Advisory Commission, at the request of the Texas Education and Welfare Committee, reveals that this tax is now working satisfactorily in that State and that its administrative difficulties were not due to its selective enumeration of taxable items but to many broad and indefinite exemptions, and that its cost of administration could be lowered except for the political patronage system which provides more employees than necessary in that State. Profiting from Pennsylvania's five years of experience with this tax, those who made this study have written a version which would be as workable and efficient as any type of broad-based sales or excise tax could be. In fact, the administrative features of the bill are practically the same as those contained in the Senate version of H. B. 334.

As a compromise, and solely for that purpose, I recommend a Pennsylvania type of limited excise, sales and use tax which, by omitting food for home consumption, prescription drugs, books, items of clothing selling for less than \$10, feed, seed, fertilizer, farm machinery, livestock, and electricity, gas and fuel used in manufacturing, would yield \$303 million during the next biennium. This is after allowing for the collection lag and a vendor's discount of 2%. The tax would be at a rate of 2% on all enumerated purchases of 50c or more. Major additions of taxable items which were not covered by H. B. 334 are intra-state telephone and telegraph services, and retail sales of beer and other alcoholic beverages. By including alcoholic beverages, it is possible to exempt low-cost clothing, since each would produce about the same amount of revenue. I strongly believe that the exemption of children's clothes, school and work clothes and other low-cost clothing is far more essential than the exemption of retail sales of alcoholic beverages, which I think should be included in any limited or general sales tax bill.

The greatest objection to this comes from the beer industry which points

out that it is already paying a manufacturer's or wholesaler's tax of \$4.30 per barrel. The answer to this is that the adjoining States of Oklahoma and Louisiana collect \$10 per barrel on beer, more than twice the rate in Texas, and these States, as well as all of our adjoining States, also collect retail sales taxes on alcoholic beverages. Twenty-two of the 34 sales tax States collect sales taxes on alcoholic beverages, even though most of them also have per barrel or per gallon taxes on manufacturers or wholesalers.

4. The drivers' license fee increase, equalization of the tax on coin-operated machines and the bookkeeping amendment on the motor fuel tax will bring all of the foregoing tax recommendations to a total of \$359,024,000. All of these are enumerated in Exhibit B attached to and made a part of this Message.

Representative Atwell has also prepared a bill embodying the Pennsylvania type tax but differing with my proposal mainly in the fact that it taxes low-cost clothing but exempts beer and other alcoholic beverages not served with meals.

In recommending the Pennsylvania type of tax, I do so fully cognizant of the fact that a distinguished Texas Senator has called it an "upside-down-tax—one that you can call selective and limited to those who are against a general sales tax—but then turn it upside-down and argue that it is broad and general enough to suit those who favor a general sales tax." To some extent, he may be correct. That is exactly how the tax came into being. It was written in Pennsylvania as a compromise between a Democratic House and Governor, and a Republican Senate. The Democratic House and Governor were against a general sales tax and the Republican Senate favored it. They tied up for 15 months and finally settled on the best compromise available. The important result, however, is that it avoids taxation of more of the basic essentials of life than general sales taxes which have been adopted in other States. If Republicans and Democrats could finally come together on this compromise in Pennsylvania, it is my hope that Democrats can find it possible to do so in our State. I attach as Exhibit D a report of the Governor of Pennsylvania showing the comparative advantages of this plan.

LOBBY CONTROL

Because it is important to the work of this session and future Legislatures, I further submit and recommend improvements in the Lobby Control Act, with special consideration to prohibiting interference with the legislative processes and more complete and accurate reporting of expenditures, especially by organizations formed wholly or partially for the purpose of influencing legislation. Any such organization should be required to list contributors of more than \$50. Otherwise, there can be complete evasion of the Lobby Control Act by persons and corporations contributing to and working through another organization. One of the main purposes of the Lobby Control Act is to bring out into the open those who are attempting to influence legislation. This is defeated when those financially interested are permitted to work through another organization without registering or reporting their interest or contributions.

In this connection, I realize that there are some members who have advocated that any limitations or restrictions applying to the lobbyists should also apply to the Governor, insofar as contacts with the Legislature are concerned. I doubt the wisdom of placing anyone elected by the people in the same position as persons chosen by and paid to represent private interests, or the public advocacy of placing lobbyists for private interests on an equal footing with the Governor in their relations with the Legislature. However, if anyone considers this to be in the public interest, the subject is now open for action.

With or without the restraints of law, I assure you that it shall be my purpose not to interfere with your prerogatives but to cooperate in every way in discharging the duties and responsibilities which we share together as the elected representatives of the people of our State.

In closing, let me remind you again that our State is not alone in facing financial problems and difficulties. Life Magazine of July 7 reports:

"... ever-bigger public programs are putting the states further and further in the hole. To try and balance the books, state legislatures are busily raising taxes all across the country. 24 states have already done so this year and another 12 are ex-

pected to do so before adjournment."

This makes our task no easier, but with the Texas Bureau of Business Research reporting that Texas business activity has reached an all-time high, with bank deposits at a high level, employment increasing, industrial growth continuing at a rapid rate, and a nation-wide survey revealing that businessmen rate Texas second only to California as a favored

location for new plants, the future appears brighter for our State than for many of the others faced with financial difficulties.

It is my hope that the product of this session will preserve a good climate in Texas for both business and individuals and that it will contribute to the continued growth and prosperity of the State and the people whom we serve.

EXHIBIT A

STATE REVENUE NEED FOR NEXT BIENNIUM TO MEET PROGRAMS TENTATIVELY APPROVED BY THE 57TH LEGISLATURE

General Appropriation Bill—S. B. 1 (Conference Report)	Biennium
ARTICLE I—JUDICIARY	\$ 9,529,678
ARTICLE II—HOSPITALS AND SPECIAL SCHOOLS	110,592,366
ARTICLE III—DEPARTMENTS AND AGENCIES	77,282,328
ARTICLE IV—EDUCATION, COLLEGES, PUBLIC SCHOOLS AND JUNIOR COLLEGES	181,475,711
ARTICLE V—LEGISLATIVE EXPENSE	4,182,800

Sub-total \$ 383,062,883

OTHER PROGRAMS

Medical Payments for Welfare Recipients	\$ 13,300,000
Hale-Aikin Public School Program	141,301,000
\$810 Salary Increase	\$ 112,734,000
Transportation Aid	5,001,000
Increment Increase	12,050,000
Operation and Maintenance Increase	11,516,000
Teacher Retirement Increase Due to Salary Increase	8,400,000

Sub-total \$ 163,001,000

TOTAL NEED

LESS: Comptroller's Estimate of Revenue
(After these automatic deductions) \$ 190,117,024

Deficit	\$ 64,494,284
Farm to Market Roads	30,000,000
Welfare Assistance	82,024,000
Teacher Retirement	93,422,800
Foundation School Program	328,324,864*
Day School for Deaf and Blind—S. B. 22	450,000
Additional for Increase in Old Age and Welfare Payments, H. B. 38	3,600,000

BIENNIAL NEED FROM NEW REVENUE \$ 355,946,859

ANNUAL NEED FROM NEW REVENUE \$ 177,973,429

*Adjusted by \$2,270,000 due to passage of H. B. 479 which places financing of Central Education Agency Administration in the Foundation School Fund.

EXHIBIT B

TAX RECOMMENDATION

ARTICLE I

Insert 1 cent per MCF minimum tax on production of natural gas, with difference between present tax and the minimum to be paid by the holders of exclusive "dedicated gas reserve" contracts (pipeline companies)	Biennial Revenue 1961-1963 \$ 30,000,000
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ARTICLE II

Adopt two-factor formula (property and gross receipts) for the corporation franchise tax, as passed by the House in H. B. 334.....	16,000,000
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ARTICLE III

Pennsylvania type limited excise, sales and use tax at 2% on enumerated purchases of 50¢ or more (does not cover food for home consumption, prescription drugs, books, clothing under \$10.00, feed, seed, fertilizer, farm machinery, livestock or electricity, gas and fuel used in manufacturing)	303,000,000
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ARTICLE IV

Increase driver's license fees (\$2.00 to \$3.00; \$3.00 to \$4.50; and \$4.00 to \$6.00)	7,000,000
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ARTICLE V

Transfer motor fuel tax revenue (earmarked for public schools) collected in August each year to the Avail- able School Fund on August 31.	3,000,000
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ARTICLE VI

Equalize tax on coin-operated vending machines at \$10.00 per machine	24,000
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TOTAL FOR THE BIENNIUM	\$ 359,024,000*
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*This estimate allows for collection lag during the first biennium of operation and 2% vendor's discount for collection under Article III. This sum can be reduced by adoption of any of the economy or tax-saving measures shown in Exhibit C.

EXHIBIT C

ECONOMY AND OTHER MEASURES WHICH WOULD
REDUCE NEED FOR NEW TAXES

(Recommended by the Governor in Opening Message of January 18, 1961,
and by Special Message on April 27, 1961. Bill numbers
are from Regular Session)

	Biennial Yield 1961-1963
1. Abandoned property-escheat procedures for reporting and enforcement of present law, H. B. 470 and H. B. 760	\$ 10,000,000*
2. Finance farm-to-market road construction for 2 years from special farm-to-market road funds in the Highway Department instead of the General Fund, H. B. 562	30,000,000*
3. Tuition increase, \$50.00 per semester, continuing schol- arship fund for any student unable to pay, H. B. 933	20,000,000
4. Provide that county school superintendents shall be financed from county funds (Recommended by Hale-Aikin Committee) H. B. 909 and S. B. 380	5,246,000
5. Change statutory allocation of certain tax revenue from the Available School Fund to the Minimum Foundation Fund, H. B. 334, as passed by the House	1,124,000
6. Increase fees charged non-indigent patients in State hospitals who are able to pay	6,000,000
7. Transfer income from leases and rentals on school lands to the Available School Fund in an annual amount not to	

exceed 1% of the Permanent School Fund, H. B. 334, as passed by the House	12,000,000*
Total for the Biennium	\$ 84,370,000
*Non-recurring gains	52,000,000
Recurring each Biennium	\$ 32,370,000

EXHIBIT D

Excerpt From "5 Fiscal Facts About Pennsylvania" Issued by the Governor of Pennsylvania, September 28, 1959
4. The Sales Tax—How Hard It Hits You

And so we come as all Pennsylvania tax stories must, to the new taxes, especially the sales tax. In 1950 it wasn't, in 1953 it was born at 1 per cent, in 1955 it grew to 3 percent, a few months ago to 3½ percent and now at 4 percent it is a strapping young fellow. The sales tax is what tax experts call a "broadbased tax," meaning that it takes a bite out of everyone's income. And as such it means a lot more to you as a taxpayer than simply another tax. It means a complete overhaul of Pennsylvania's tax structure. Ten years ago it could still be said that you had to smoke, drive or die to pay Pennsylvania state taxes as an individual. Everyone pays the sales tax.

But the sales tax is not the only broad based tax. The personal income tax is the other such tax. Thirty-one states have a personal income tax, and eighteen of these also have a general or selective sales tax. On this count alone Pennsylvanians are better off than folks in these eighteen states.

How will our 4 percent sales tax affect you? And how does it compare with sales taxes of other states? By a series of complicated calculations the Pennsylvania Economy League tax experts have figured out what the impact of the 4 percent sales tax is likely to be in Pennsylvania and compared it to what it would be if we imposed other states' sales taxes here. The result is interesting. In all four percent sales tax states, in the three percent states and even in two percent states, a Pennsylvanian making

between four and five thousand dollars a year will pay less in sales tax under our law than he would under the laws and rules of the other sales tax states. The reason for this relatively light impact is not complex. Pennsylvania's sales tax is not general, or across the board. It is selective. It applies only to certain items. Most important, it excludes two of the biggest items in your family budget, clothing and take-home food.

We have heard much about a 2 percent across-the-board sales tax. The State of Colorado has such a tax. However, reference to the chart reveals that average income families (those in the \$4,000 to \$5,000 bracket) pay less under Pennsylvania's 4 percent sales tax than they would under Colorado's 2 percent tax. On the other hand, families in the over \$10,000 income bracket pay more than they would in Colorado. Our sales tax has built into it a greater measure of ability to pay than does the across-the-board tax, even at half the rate.

FISCAL FACT NO. 4:

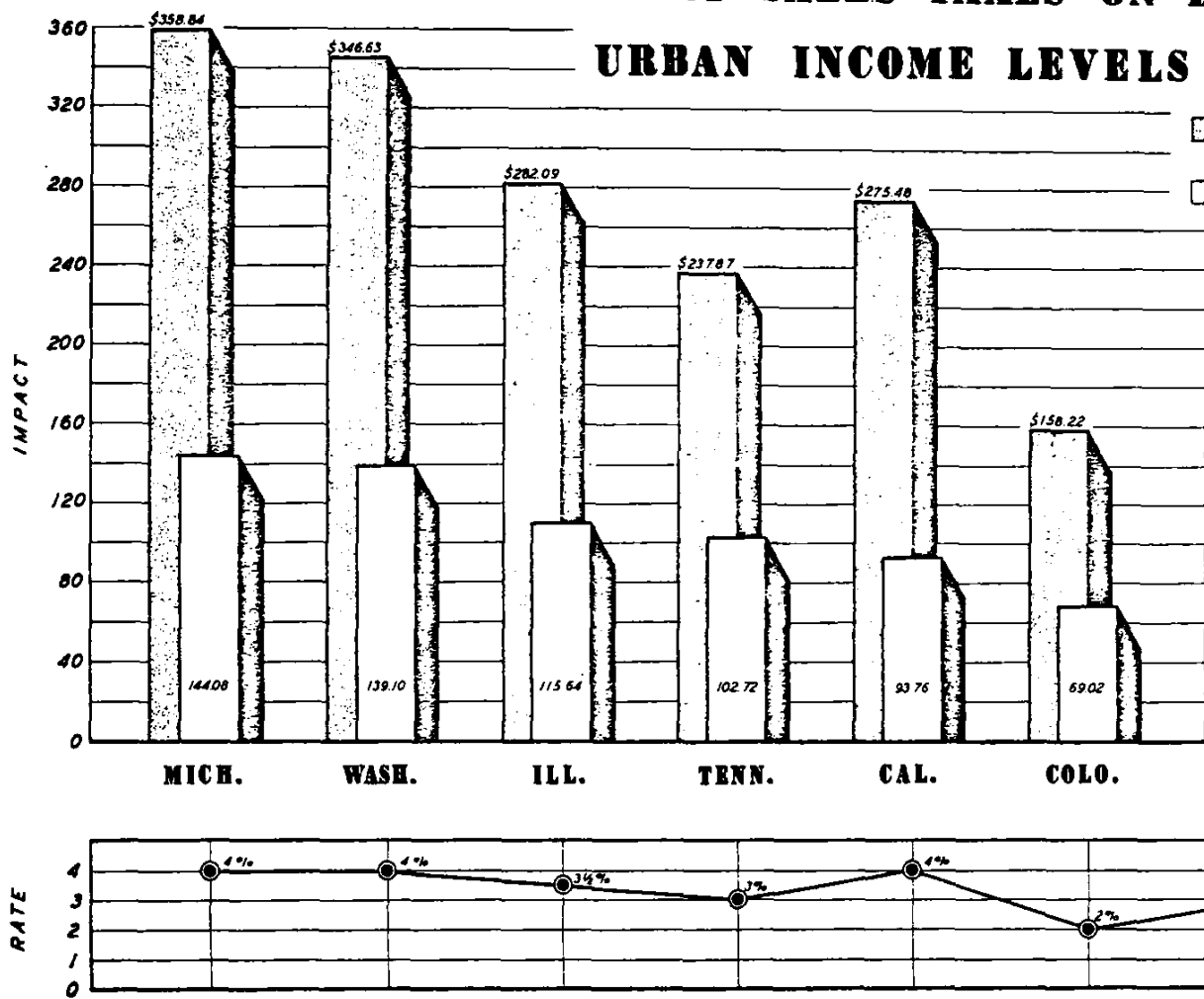
Pennsylvania's Sales Tax Takes Less From You Than Like Taxes in Other States Take From Your Fellow Citizens.

At the conclusion of the Joint Session, Speaker Turman presented Mrs. Jean Daniel, the beloved wife of Governor Daniel to the Joint Session.

Recess

The President Pro Tempore announced at the conclusion of the Joint Session that the Senate at 11:21 o'clock A.M. would stand recessed until 10:30 o'clock A.M. tomorrow on motion previously adopted in the Senate.

COMPARATIVE BURDEN OF SALES TAXES ON D URBAN INCOME LEVELS



In Memory of
Joe Clark Thompson, Jr.

Senator Parkhouse offered the following resolution:

(Senate Concurrent Resolution 2)

Whereas, On the eleventh day of June, 1961, death called Mr. Joe Clark Thompson, Jr., one whose outstanding abilities in business, sterling leadership in civic affairs, and whose devotion to humanitarian ideals were ever at work for the betterment of those about him; and

Whereas, He was born January 25, 1901, at Waxahachie, Texas, and moved with his parents soon thereafter to Dallas, where he was educated in public schools and at Oak Cliff High School, and later was a graduate of the University of Texas, with Bachelor's Degree in Arts and Business Administration; and

Whereas, He was diligent in gaining a thorough knowledge of his business, so that he was able to give the Nation's economic system new ideas of marketing, which were to grow and flourish, becoming accepted throughout the land, and reacting to the benefit of all; and

Whereas, His abiding concern for others led him to serve unstintingly in behalf of the State Fair of Texas; the Cotton Bowl Athletic Association; the Dallas Chamber of Commerce; and further, to serve as a member of the Board of Regents of the University of Texas, of which he was a member at the time of his passing.

Whereas, His contributions to his community, to the State of Texas, and to the betterment of society itself won the esteem of all who knew him; now, therefore, be it

Resolved, That in the passing of Mr. Thompson, the Senate of Texas mourns the loss of a man who has made significant contributions to the State of Texas and to the American People as a whole; that, as a tribute to his memory, this Resolution be adopted by the Senate, the House of Representatives concurring, and printed in the Journals; that when we adjourn today, we do so in his honor, and, be it further

Resolved, That copies of this Resolution be sent to each surviving member of his family as an expression of our sympathy.

PARKHOUSE
HERRING

The resolution was read and was adopted by a rising vote of the Senate.